

## THE INVESTMENT MARKET

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of signs, appears to show clearly to observant minds that an advance or decline of price may be reasonably expected, and their operations, consequently, are based upon the probability of the realisation of these views. Hence the mode in which the prices of securities, in which the investor is interested, are affected by such operations is this: there are two forces (personating, for a moment, the desires of men by forces) of an opposite character always ready to be liberated into action upon the market; the one is vigilantly watching for a propitious time to sell, the other, with equal eagerness, is waiting an opportunity to buy. When prices rise (for any reason or cause), the former force comes into operation in the form of sales, and thus tends to depress or retard values; when prices recede (for any reason or cause), the second latent force becomes actual by purchases, and thus aids in maintaining prices or checking a deeper fall. And the resultant effect upon market values will depend upon the comparative extent and intensity of these forces—the volume of the transactions in these two directions.

I have frequently employed the phrase, "the intrinsic value of a security," irrespective of its varying changes. The phrase is valid. Where we possess reasonable grounds for judging—from character and financial resources—that the issuer (whatever it may be) of a bond or share is stable and prosperous, and likely, so far as human foresight can gauge, to continue in that state—so that the principal may be counted safe and the interest sure—the security in question may be rightly described as embodying intrinsic worth, and to be affected only by those consequences and vicissitudes which attend alike, in graduated degree, the soundest creations of man. (*See Note JB, p. 148.*)

In the course of variations in prices an elementary fact—so true as to have degenerated generally into a barren truism—is constantly forgotten: the fact that a purchase necessarily implies a sale, and a sale a purchase. I am in no degree defending speculation as a

practice and business: but I must judicially weigh the facts (as I shall more fully show in a subsequent chapter) which the course presents. I here refer to a proposition in illustration merely of hazy modes